



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 11/28/2000

GAIN Report #IN0077

## **India**

## **Oilseeds and Products**

## **December Update**

## **2000**

Approved by:

**Weyland Beeghly**

**U.S. Embassy, New Delhi**

Prepared by:

V. Shunmugam

---

### **Report Highlights:**

**Another increase in India's vegetable oil tariff is unlikely to stem imports as palm oil suppliers are expected to drop prices.**

---

Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1], IN

### (Yet Again) India Raises Veg Oil Tariffs

In an attempt to reduce imports, the GOI has once again raised duties on edible oils (Table 1). Despite the increase, Post's estimate of MY 2000 imports remains unchanged at 4.8 million tons as palm oil prices are expected to seek a lower level.

**Table 1: New Edible Oil Tariff Structure**

Edible oil	Basic Duty		Surcharge		SAD		Aggregate Tariff	
	Old	New	Old	New	Old	New	Old	New
Crude Oils (Other than Palm Oil)	25	35	10	-	-	-	27.5	35
Crude Edible Oil Imported for Trading	45	45	-	-	4	-	50.8	45
Crude Palm Oil	45	55	-	-	-	-	45	55
Crude Palm Oil for Vanaspati Production	15	25	10	-	-	-	16.5	25
Refined Edible Oils (Other than RBD palm olein RBD PalmOil)	35	45	10	-	4	4	44.04	50.8
RBD palm olein	35	65	10	-	4	4	44.04	71.6
RBD Palm Oil	45	65	-	-	4	4	50.8	71.6
Coconut Oil	45	45	-	-	4	4	50.8	50.8

### GOI's Capriciousness Keeps Sector Off Balance

While it is encouraging to note that the GOI took into full account its WTO obligations when crafting the new tariff scheme, the government's penchant for intervening in the vegoil market is a source of consternation for many members of the trade. This latest tariff increase marks the government's fourth intervention in the market in less than a year (11 months). Sources report that traders now regularly speculate on when/if the government intends to adjust tariffs. The consequence has been greater market uncertainty and increased inefficiencies. Following is a chronology of the government's treatment of vegoil imports.

**Government Treatment of Edible Oil Imports**

Till Apr 1994	Imports of edible oils canalized through state trading agencies.
Apr 1994	Imports of palm olein put under Open General License (OGL); tariff set at 65 percent.
Mar 1995	Imports of edible oils (except coconut oil, Palm Kernel Oil and RBD Palm Stearin) put under OGL; tariffs set at 30 percent.
Apr 1996	Tariffs reduced to 22 percent.
Apr 1997	Tariffs increased to 25 percent, plus additional tax of 3 percent.
Jul 1998	Tariffs reduced to 15 percent.
Jan 2000	Tariffs on refined oils increased to 25 percent. End user requirement established whereby the basic tariff on crude oil imported by refiners kept at 15 percent, while imports by traders are subject to a 35 percent duty.
Feb 2000	Tariff on crude palm oil imported by refiners increased to 35 percent. Tariff on imports of crude palm oil by vanaspati manufacturers kept at 15 percent.
Jun 2000	Tariff on refined oils increased to 35 percent and subject to a 4 percent special additional duty. Tariff on crude oils (other than palm) imported by refiners increased to 25 percent and imports by traders to 45 percent. Imports of crude palm oil imported by vanaspati manufacturers kept at 15 percent, while imports by traders raised to 45 percent. A 10 percent surcharge on the basic duty is applied to imports of crude oils (other than palm), crude palm oil for manufacture of vanaspati, and refined oils.
Nov 2000	The tariff on refined oils (other than RBD palm olein) increased to 45 percent. The basic duty on imports of RBD palm olein increased to 65 percent. The tariff on crude oil (other than palm) increased to 35 percent, while imports by traders kept at 45 percent. Tariff on crude palm oil used in vanaspati increased to 25 percent and for refiners to 55 percent.